

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7510**

**BILL NUMBER:** SB 205

**DATE PREPARED:** Feb 12, 2001

**BILL AMENDED:** Feb 12, 2001

**SUBJECT:** Health Insurance Waivers.

**FISCAL ANALYST:** Jim Landers

**PHONE NUMBER:** 232-9869

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) The bill provides that an individual policy of accident and sickness insurance or a group policy of accident and sickness insurance under which a certificate of coverage is issued to an individual member of an association or a discretionary group may contain a waiver of coverage for a specified condition if the waiver would be in effect for not more than five years and other requirements are met. The bill specifies that an offer of coverage under a policy that includes such a waiver does not preclude eligibility for a policy issued by the Indiana Comprehensive Health Insurance Association (ICHIA). The bill also prohibits the waiver of coverage for a mental health condition.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** (Revised) This bill would allow for individual insurance policies, association group policies, and discretionary group policies to include a waiver of coverage not exceeding 5 years in length, except no such waivers could be made for mental health conditions. (Current statute provides for a maximum 12-month exclusion for preexisting conditions.) The impact on the state, if any, is a potential decrease in demand for ICHIA policies. Any impact is likely to be small.

*Background:* ICHIA is the high-risk insurance program offered by the state. ICHIA is funded through premiums paid by individuals obtaining insurance through ICHIA, by assessments to member companies (insurers, health maintenance organizations, and others that provide health insurance or health care coverage in Indiana), and the state General Fund. To be eligible, Indiana residents must show evidence of: (1) denied insurance coverage or an exclusionary rider; (2) one or more of the "presumptive" conditions such as AIDS, Cystic Fibrosis, or Diabetes; (3) insurance coverage under a group, government, or church plan making the applicant eligible under the federal Health Insurance Portability and Accountability Act (HIPAA); or (4) exhausted continuation coverage (e.g., COBRA). Premium rates must be less than or equal to 150% of the average premium charged by the five largest individual market carriers.

The excess of expenses over premium and other revenue is made up by assessments on member insurance carriers. Members may, in turn, (1) take a credit against premium taxes, gross income taxes, adjusted gross income taxes, supplemental corporate net income taxes, or any combination; or (2) include in the rates for premiums charged for their insurance policies amounts sufficient to recoup the assessments. The amount of assessments that are recouped by insurance carriers through tax credits or premium increases is not known at this time. Based on an estimated enrollment of 5,973, total expenses for CY 2001 are estimated to be \$72.02 M with estimated premium contributions of \$23.27 M and assessment receipts of \$48.75 M. Consequently, the average premium per insured is estimated to be \$3,895, with an average cost per insured of \$12,057.

This bill allows individual insurance policies, association group policies, and discretionary group policies (i.e., not employee group policies) to include waivers of coverage for up to 5 years. (Current statute allows for only a 12-month exclusion for preexisting conditions.) The potential impact on the state is the difference between the cost and premium per insured for participants in ICHIA. This impact exists because an insurance policy with a waiver of coverage could provide a lower cost option to an individual than the ICHIA program, but with lesser coverage than ICHIA.

**Explanation of State Revenues:** See Explanation of State Expenditures, above, regarding the ICHIA program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Comprehensive Health Insurance Association.

**Local Agencies Affected:**

**Information Sources:** M-Plan Testimony to the Interim Study Committee on the Indiana Comprehensive Health Insurance Association, September 20, 2000.